

Final Budget Executive Summary

Economic Indicators

Growth in the City's General Fund revenues depends primarily on the state of the economy. When the economy is expanding, revenues are up, and when the economy slows, revenues react accordingly. Given this relationship, key economic indicators, such as unemployment rates, job growth, housing starts and hotel occupancy rates are helpful in assessing why revenues are either up or down, and how they might be trending in the future. Although the City's revenues

are most directly impacted by the local economy, trends in California and the nation are also important, since certain revenues, such as Transient Occupancy Taxes and Motor Vehicle License Fees are affected by developments in the state and national economies.

As indicated in the following charts, the San Diego economy has continued to show signs of sustained growth in most major categories during Fiscal Year 1999.

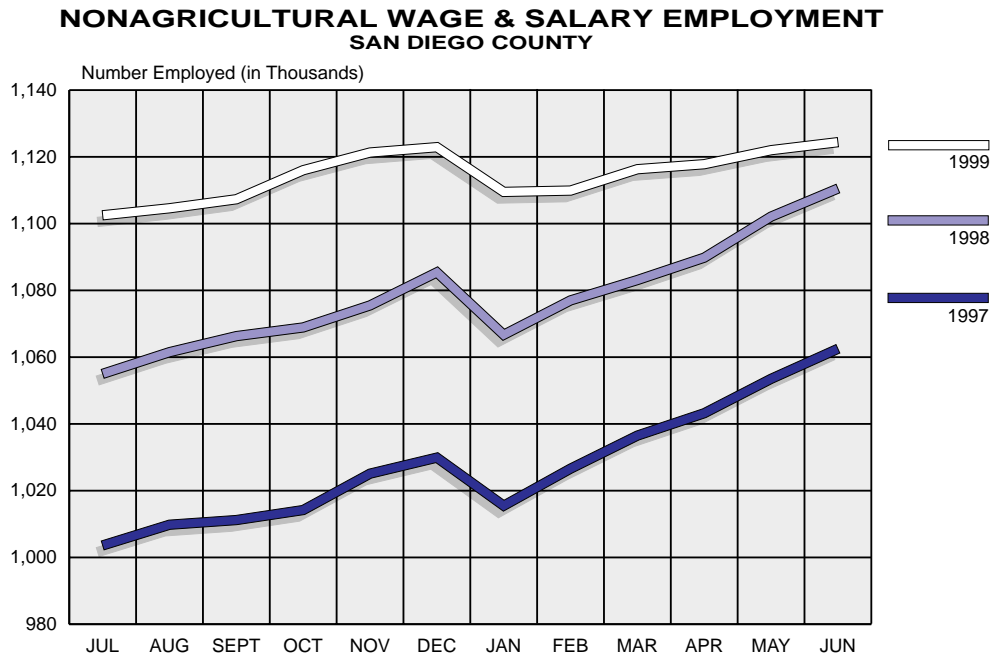
LABOR MARKET TRENDS



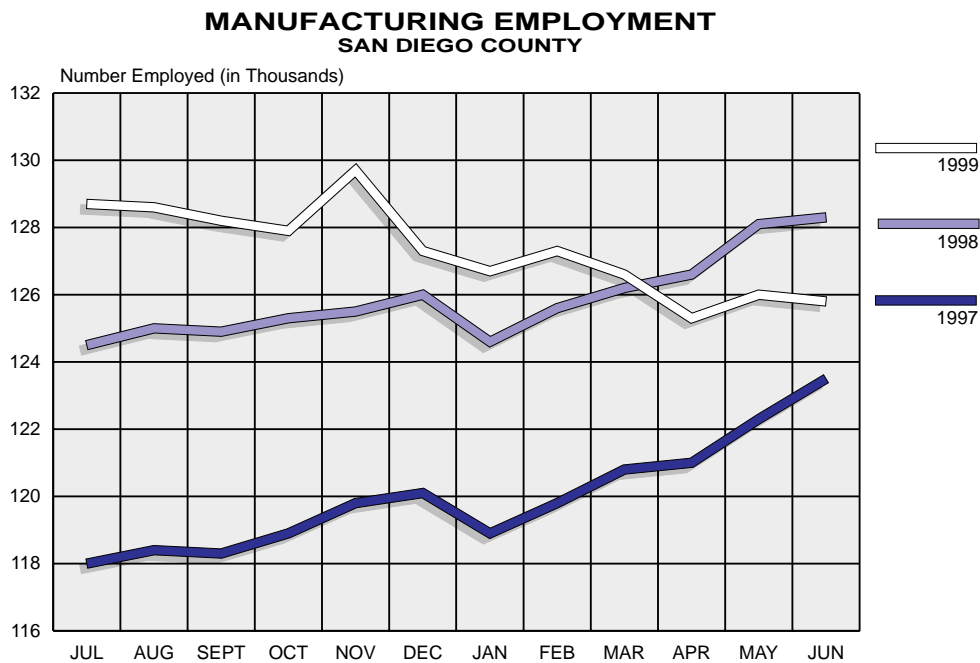
The unemployment rate is a critical indicator of relative strength in the local economy. The County of San Diego's unemployment rate averaged 3.5% during Fiscal Year 1999, down from 3.8% in Fiscal Year 1998. San Diego's unemployment rate has been below 4.0% since November 1997 and below the traditional "full-employment rate" of 6.0% since February 1996.

Final Budget Executive Summary

Economic Indicators



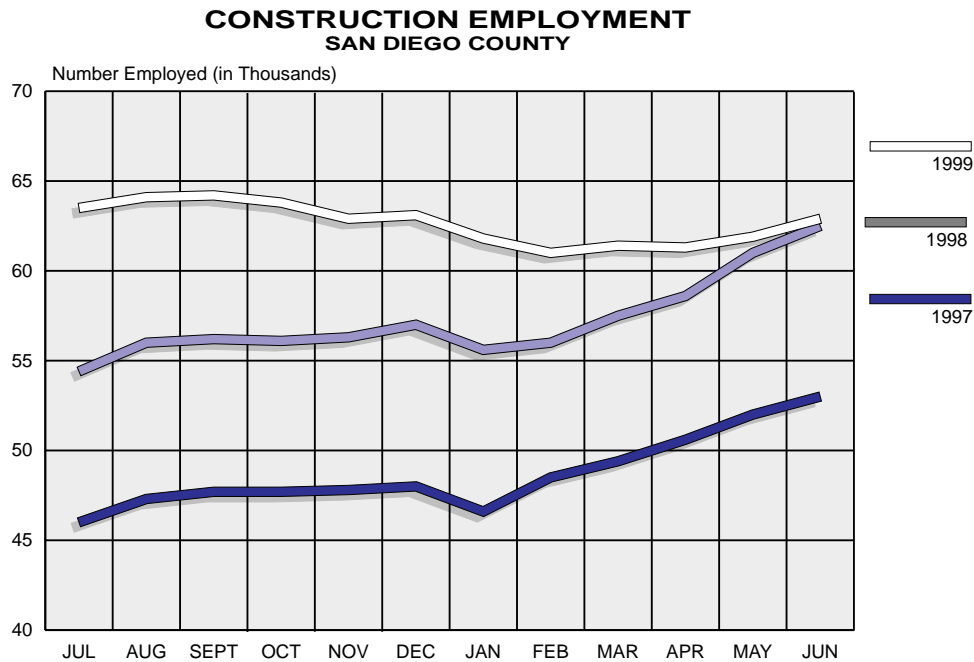
Total nonagricultural wage and salary employment has held above the 1.1 million mark throughout Fiscal Year 1999, averaging a record high 1,114,700 for the year, an increase of 36,200 jobs over the prior year.



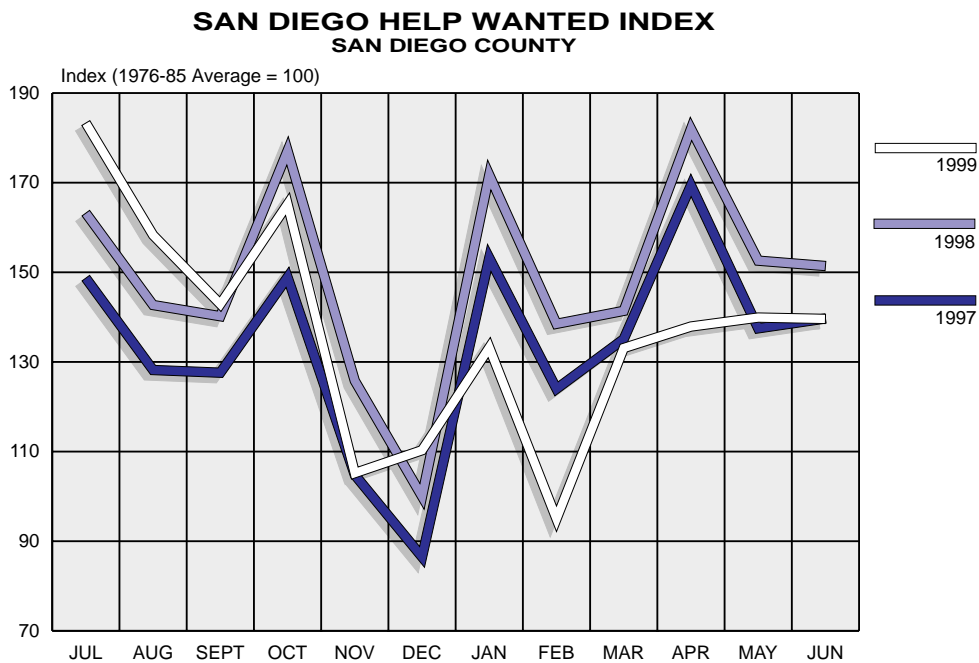
Manufacturing is the largest component of the County of San Diego's economic base (approximately one-fourth of Gross Regional Product) and a catalyst for growth in other sectors of the economy. The manufacturing sector added 1,200 jobs in Fiscal Year 1999, compared with an increase of nearly 6,000 jobs in Fiscal Year 1998.

Final Budget Executive Summary

Economic Indicators



Construction, like manufacturing, is a major source of high wage employment that supports other sectors of the economy. Consistent with the high level of building activity in recent years, construction employment averaged 62,700 during Fiscal Year 1999, up by 5,400 jobs from the prior year.

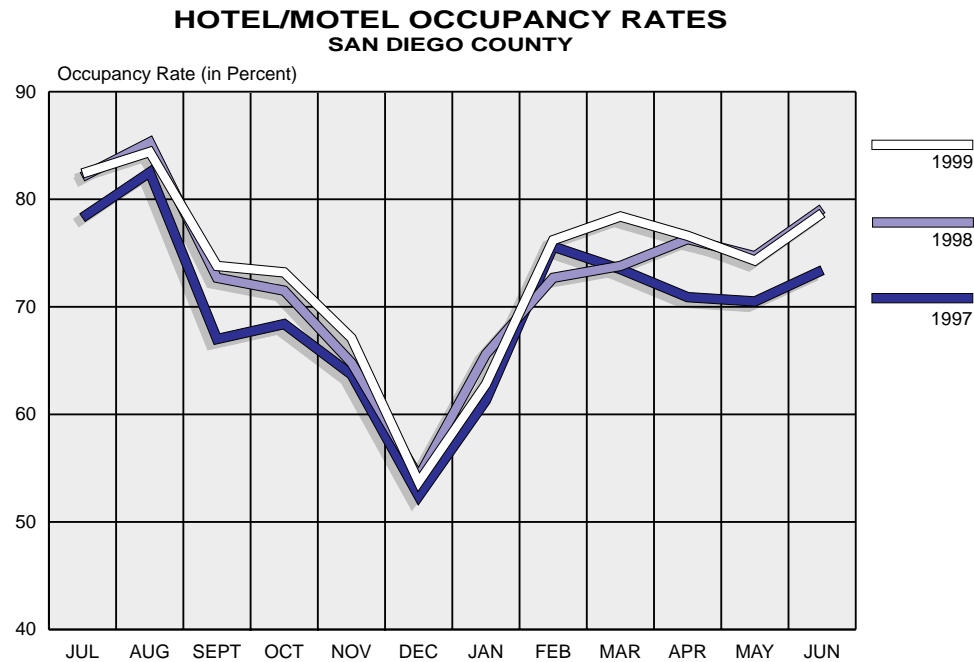


The Help Wanted Index is an indicator of the hiring plans of local employers. After increasing by 11.4% in Fiscal Year 1998, the Help Wanted Index trended lower during Fiscal Year 1999, down 8.0% for the year.

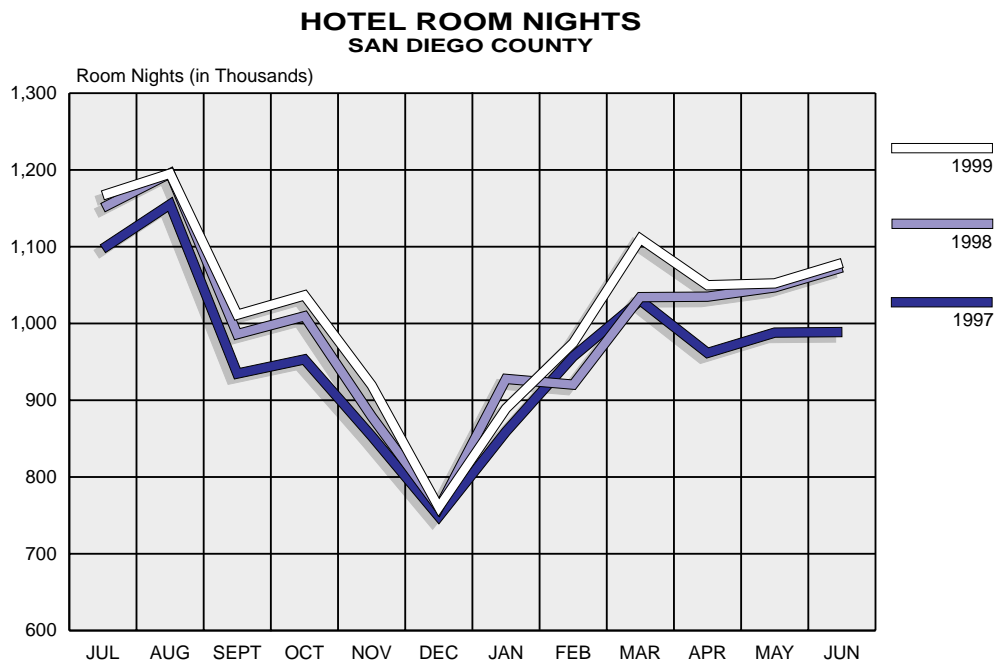
Final Budget Executive Summary

Economic Indicators

TOURISM



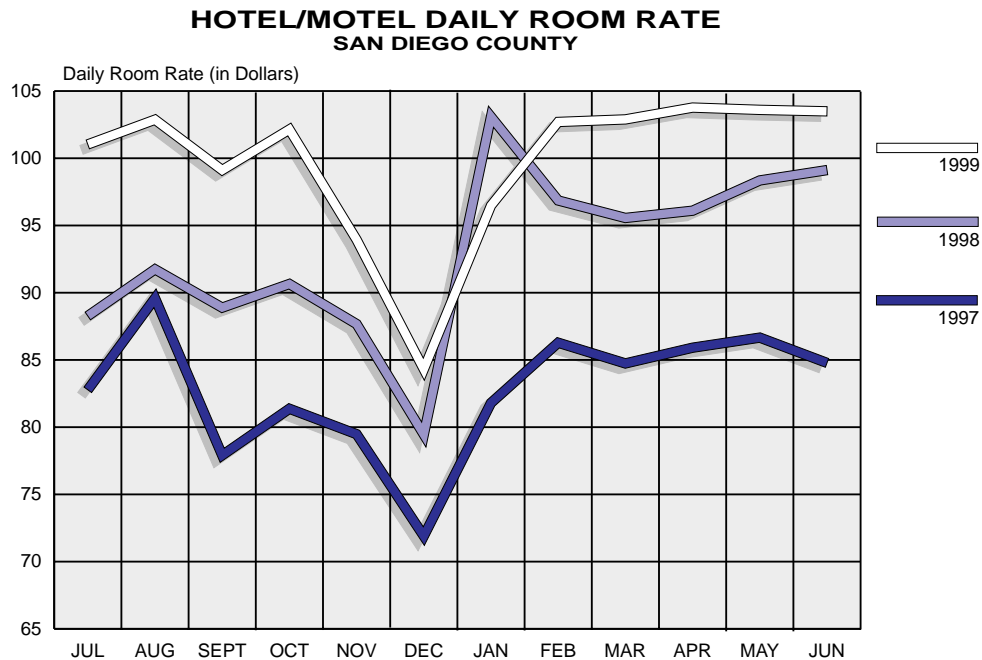
The trend in average occupancy rates at San Diego hotels and motels, along with total room nights and average daily room rates, is an indicator of the potential growth in Transient Occupancy Tax (TOT) revenues. Following a strong 3.5% increase during Fiscal Year 1998, occupancy rates increased another 0.9% in Fiscal Year 1999.



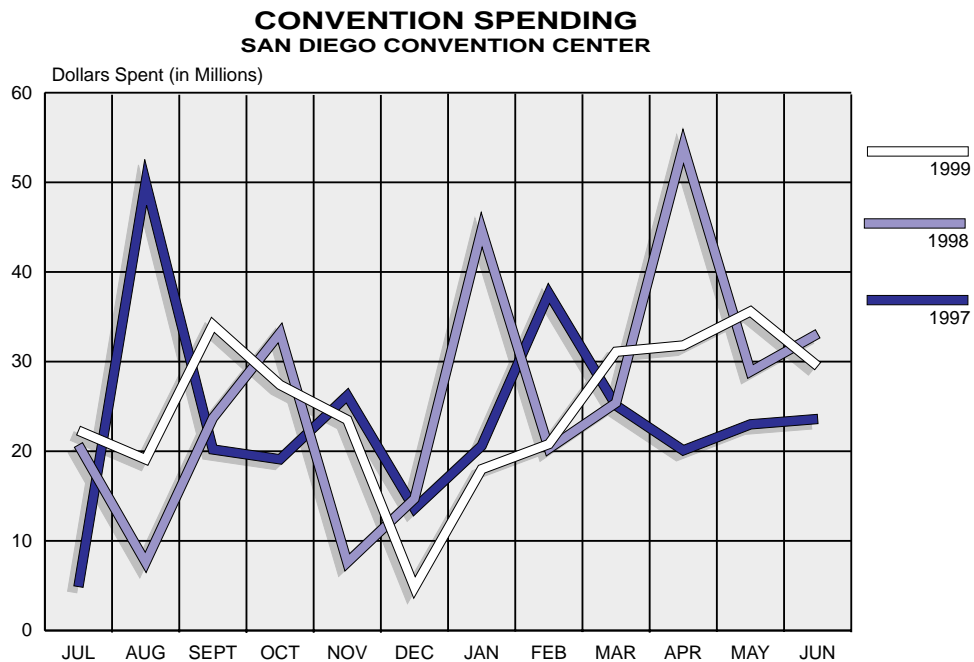
Monthly room night totals, a direct indicator of the demand for hotel rooms, also continued to trend higher during Fiscal Year 1999, with volume up 1.8% for the fiscal year.

Final Budget Executive Summary

Economic Indicators



The trend in average daily room rates, combined with occupancy rates and total room nights, is one of the factors determining total room sale receipts and resulting transient occupancy tax revenues. Average daily room rates continued to register strong growth during Fiscal Year 1999, with rates up 7.2 percent.

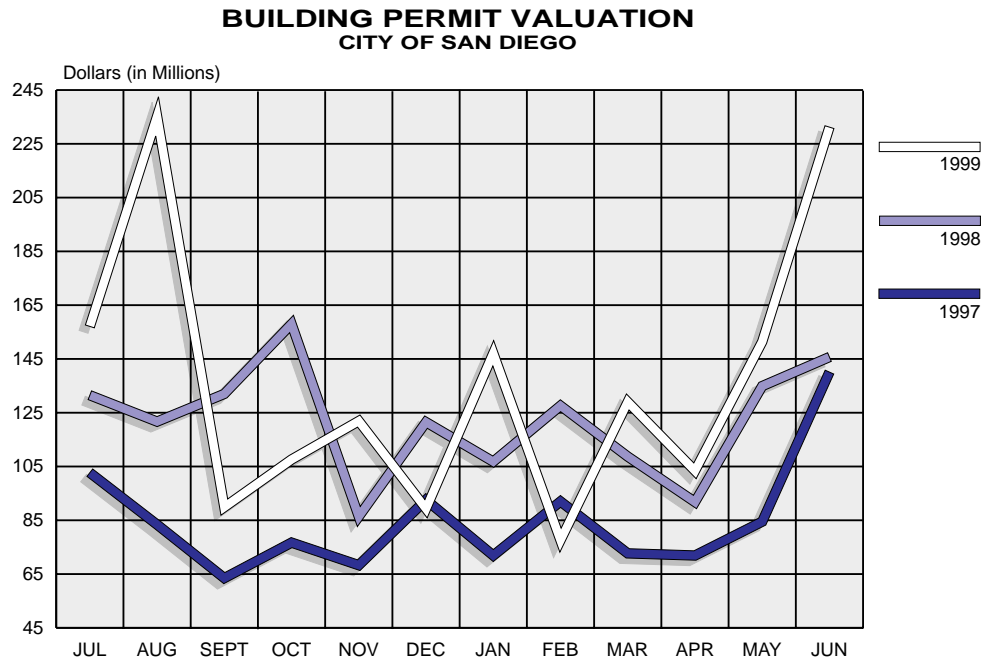


The hosting of conventions is a key factor supporting the long term growth of San Diego's tourism industry. Following Fiscal Year 1998's record performance, convention spending was mixed during Fiscal Year 1999, with expenditures for the year down 5.1% from the prior year.

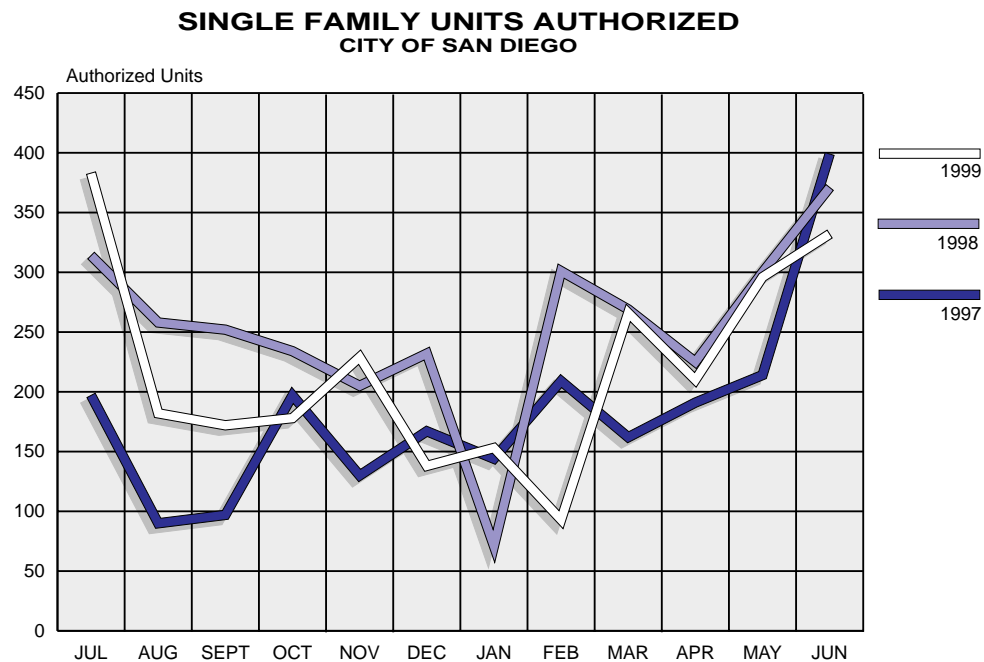
Final Budget Executive Summary

Economic Indicators

CONSTRUCTION TRENDS



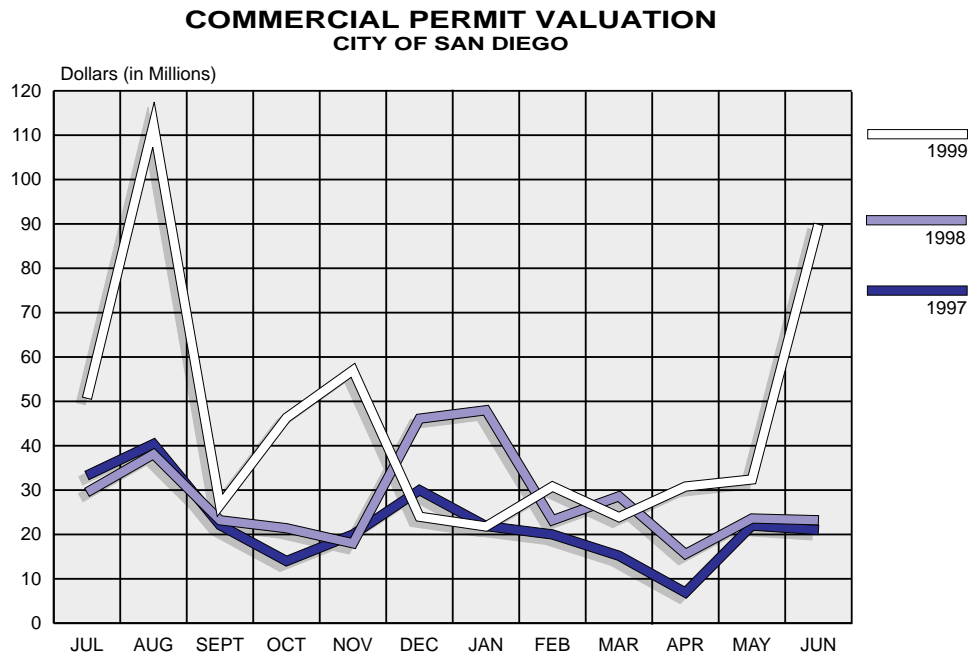
Total permit valuation is an indicator of overall construction activity. After recording very strong growth of 43.7% in Fiscal Year 1998, activity moderated during Fiscal Year 1999, with the valuation total up a more moderate 11.9 percent.



New residential construction is an indicator of trends in both the construction industry and in the overall economy. After recording very strong growth of 38.0% during Fiscal Year 1998, the volume of new single family units authorized was down 13.2% in Fiscal Year 1999.

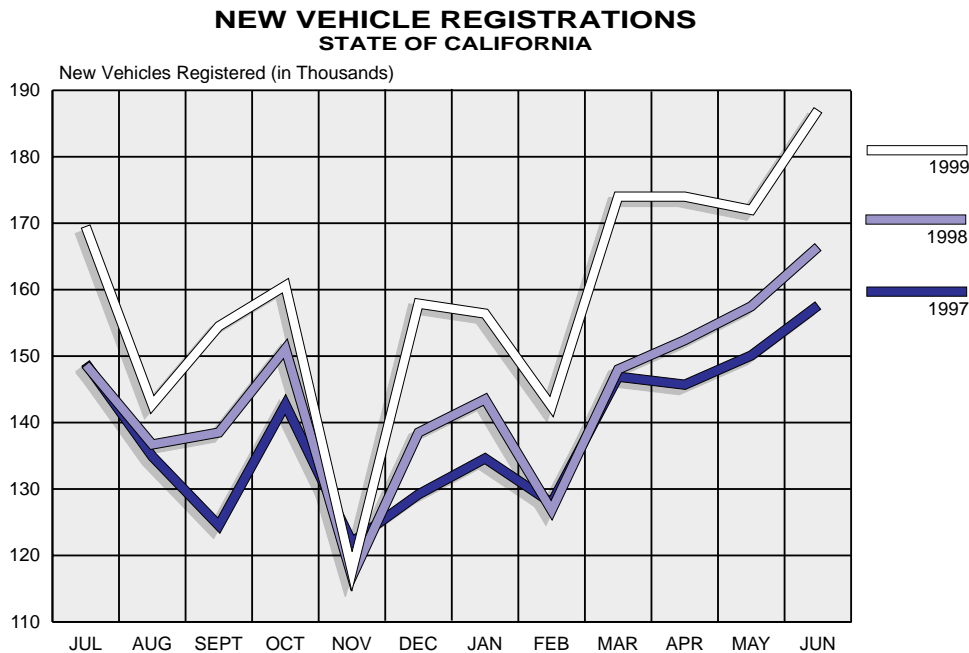
Final Budget Executive Summary

Economic Indicators



The valuation of permits for commercial construction, which includes buildings for retail, office, or industrial purposes, is a key indicator of present and future economic conditions. On the heels of several years of strong growth, commercial construction continued to register impressive gains during Fiscal Year 1999, with the total valuation of new commercial permits up 61.4 percent.

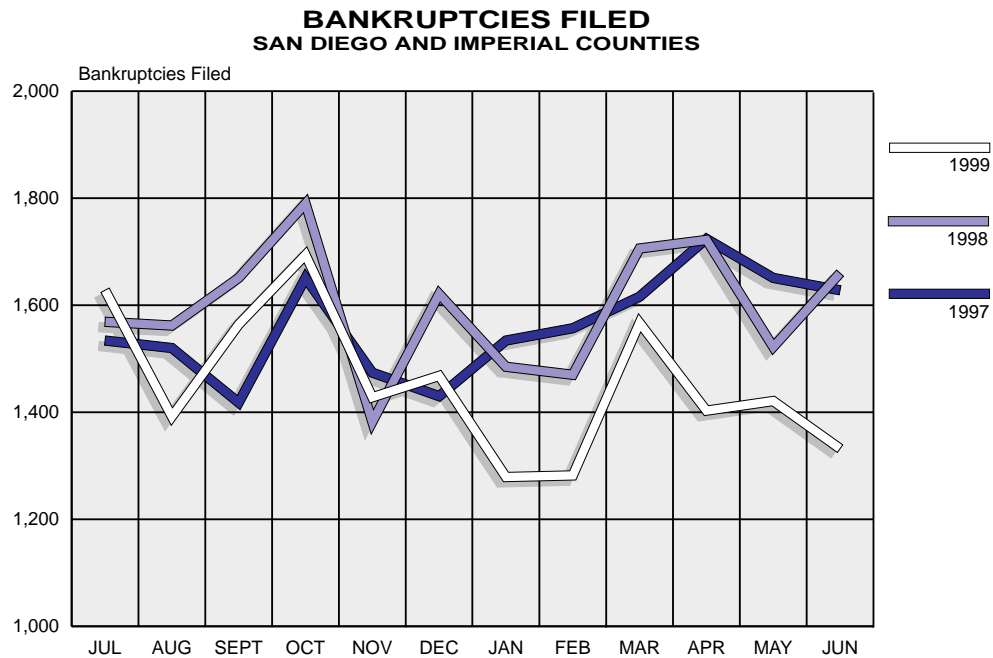
OTHER INDICATORS



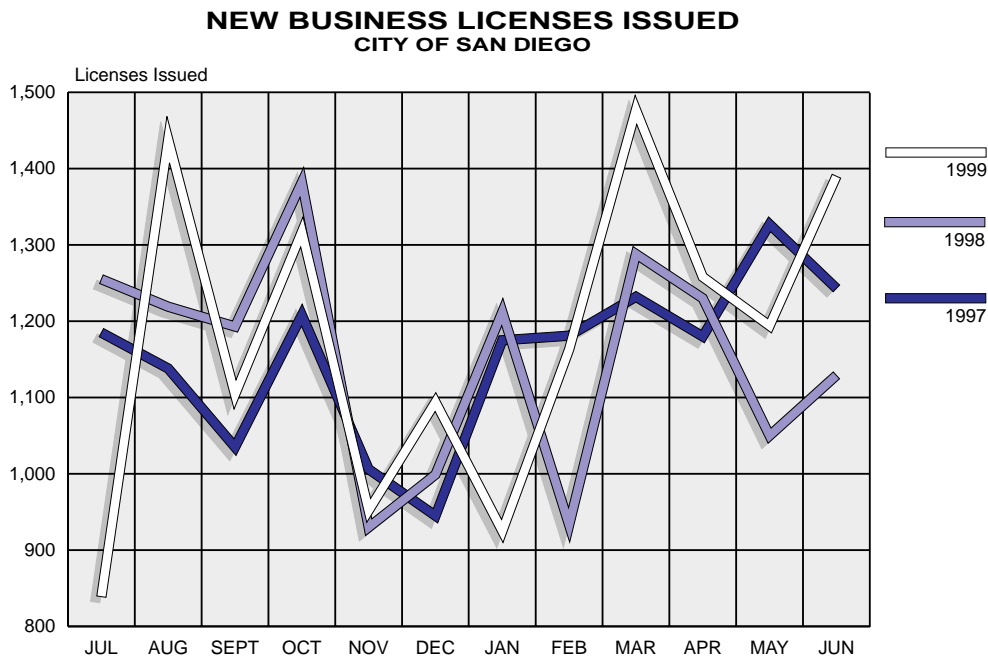
The statewide total of new vehicle registrations is one of the factors determining the amount of Motor Vehicle License Fees (MVLFF), a major source of General Fund revenues. Following solid growth of 3.6% in Fiscal Year 1998, the pace of new vehicle registrations accelerated in Fiscal Year 1999, increasing by 10.6 percent.

Final Budget Executive Summary

Economic Indicators



Bankruptcy filings are another measure of economic well being. After trending higher for several years, bankruptcy filings stabilized in Fiscal Year 1998 before trending down 8.8% during Fiscal Year 1999.



The number of new business licenses issued is an indicator of general business activity. During Fiscal Year 1999, new business licenses issued were up 2.5% over Fiscal Year 1998.